



Memorandum

TO: PUBLIC SAFETY, FINANCE AND
STRATEGIC SUPPORT COMMITTEE

FROM: Jennifer A. Maguire

SUBJECT: BI-MONTHLY FINANCIAL REPORT
FOR JANUARY/FEBRUARY 2012

DATE: April 11, 2012

Approved

Date

4/12/12

The Bi-Monthly Financial Report for January/February 2012 was jointly prepared by the City Manager's Budget Office and the Finance Department and is presented for the Public Safety, Finance and Strategic Support Committee's review.

OVERVIEW

Through the eight months of the fiscal year, revenues and expenditures are generally tracking within budgeted estimates in all City funds. The 2011-2012 budget was developed based on the assumption that the economy would continue its slow recovery from the 2007-2009 recession. Economic indicators and actual revenue performance support the continuance of this economic recovery with continued improvement over the last several months. The Administration will continue to closely monitor economic conditions and the performance in all City funds, bringing forward budget adjustments to the City Council before the end of the year, as necessary.

Following are key highlights in this report:

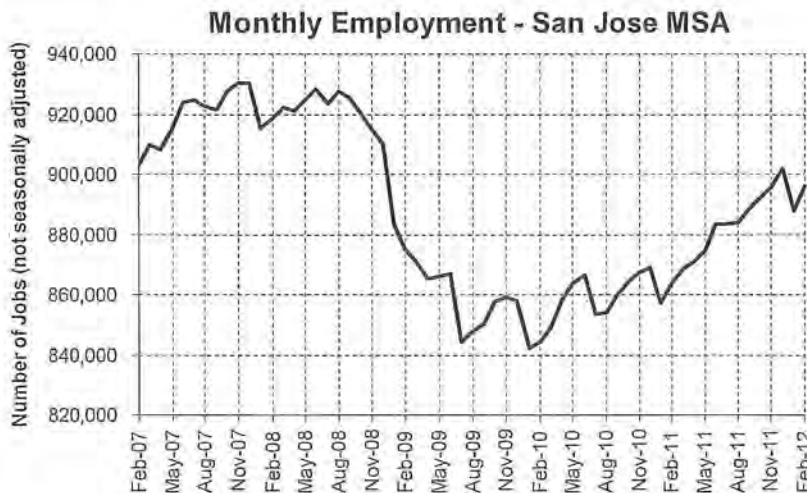
- In the General Fund, revenues are tracking to slightly exceed the modified budget and expenditures are tracking to end the year with savings. Based on this General Fund performance, it is anticipated that the Administration will include additional 2011-2012 Ending Fund Balance/2012-2013 Beginning Fund Balance as a one-time funding source in the 2012-2013 Proposed Operating Budget that will be released on May 1, 2012.
- In the second quarter of 2011-2012, Sales Tax receipts in San Jose experienced growth of 6.2% when compared to the same quarter in the prior year. This growth rate exceeded the budgeted estimate of 3%, generating additional revenue of approximately \$1.0 million. This additional revenue and this higher collection level will be factored into the 2012-2013 Proposed Budget.
- Development-related revenues in the General Fund as well as the development-related taxes are projected to meet or exceed budgeted estimates. Actions were approved by the City Council January 24, 2012 to recognize higher revenue collections and provide additional resources to address this increased level of activity. Construction and Conveyance Taxes are also tracking close to the budgeted estimate.

OVERVIEW

- In June 2011, the Governor signed Assembly Bill XI 26, which approved the dissolution of redevelopment agencies throughout the State, and Assembly Bill XI 27, which enables cities and counties to retain their redevelopment agencies by paying a specified amount to the State as established by a formula. With California's Supreme Court Ruling, the City Council approved actions to dissolve the former Redevelopment Agency and establish the Successor Agency on January 24, 2012. Rebalancing actions were brought forward for the Low and Moderate Income Housing Fund as well as to establish the Redevelopment Obligation Retirement Fund. Additional actions are anticipated to be brought forward for the City Council to review to realign the 2011-2012 Modified Budget with updated projections based on further review of funding and impacts of the legislation.
- The Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 5.5 million passengers this fiscal year, a decrease of 1.2% from the figures reported through February of the prior year. While passenger activity remains down, revenues are tracking slightly above budgeted levels and are anticipated to meet budgeted estimates by year end due to conservative revenue estimates.
- The Administration will continue to report to the City Council any and all significant developments through this reporting process.

Economic Environment

The economy continues to reflect a positive recovery from the most recent recession. Economic indicators and actual revenue performance support this general assumption, with continued improvement in recent months. This region continues to experience solid job growth, construction activity is increasing at a good pace, and the housing market appears to be stabilizing.



The February 2012 employment level in the San Jose Metropolitan Statistical Area (MSA) of 896,000 was 3.1% above the February 2011 level of 869,200. This employment level continues to fall below the recent peak of 930,500 experienced in December 2007.

OVERVIEW

Unemployment Rate (Unadjusted)

	Feb. 2011	Jan. 2012	Feb. 2012
San Jose Metropolitan Statistical Area*	10.5%	9.1%	9.1%
State of California	12.2%	11.3%	11.4%
United States	8.5%	8.8%	8.7%

* San Benito and Santa Clara Counties

Source: California Employment Development Department.

is less than the unadjusted rate for the State (11.4%), but continues to track above the nation, which has an unadjusted unemployment rate of 8.7%.

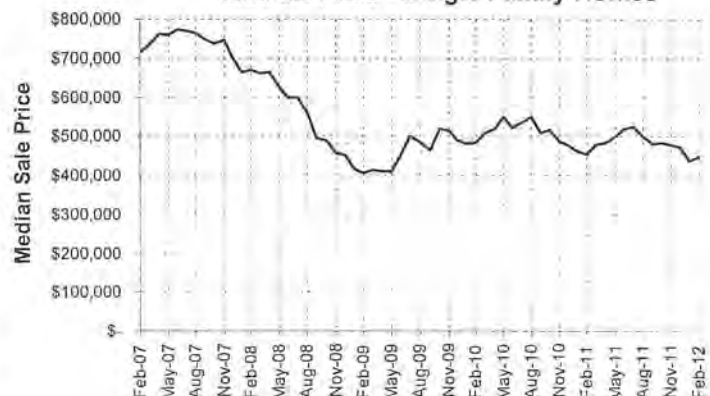
The unemployment rate in the San José metropolitan area continues to remain high, but has remained below the double digit levels that had been experienced in recent years. The February 2012 unemployment rate of 9.1% remains at the January 2012 level but is lower than the 10.5% rate experienced a year ago. The February 2012 unemployment rate in this region

The Conference Board Consumer Confidence Index spiked in February, but retracted slightly in March. Lynn Franco, Director of The Conference Board Consumer Research Center stated: "The moderate decline was due solely to a less favorable short-term outlook, while consumers' assessment of current conditions, on the other hand, continued to improve. The Present Situation Index now stands at its highest level in three and a half years, suggesting that despite this month's dip in confidence, consumers feel the economy is not losing momentum."

Through February, the level of construction permit activity compared with the prior year varies across the three types of construction. In 2011-2012, there has been relatively steady growth in activity. The total valuation of commercial permits and industrial permits issued through February are tracking above prior year levels. The total valuation of commercial permits issued of \$152.3 million is 3.3% above the prior year valuation of \$147.2 million. Industrial construction of \$87.7 million remained significantly above (73.4%) the prior year valuation of \$50.6 million. The 1,226 residential permits issued through February fell below the prior year level of 2,177 by 43.7%. However, in 2010-2011, there was a dramatic spike in residential activity due almost entirely to two very large development projects in late 2010 in North San José. Overall, this permit activity drives the revenue collection in several construction tax categories and is an indicator of future activity for several other categories, such as the storm and sanitary sewer system fees.

The housing market appears to be somewhat stable with minimal movement. The number of property transfers (sales) for all types of residences totaled 562 in February 2012, representing a decline of approximately 2% from the 574 sales that occurred in February 2011. In addition, the February 2012 median single-

Median Price - Single Family Homes



OVERVIEW

family home price of \$450,000 is down 1.1% from the February 2011 price of \$455,000. Although small, this marks the 17th consecutive month in which the median single-family home price has dropped compared to the same month in the previous year. However, the average days-on-market for single-family and multi-family dwellings totaled 77 days in February 2012, which is down almost 19.8% from average days-on-market experienced in February 2011.

Economic conditions will continue to be closely monitored and will be factored into the assessment of the City's performance in 2011-2012 as well as development of the 2013-2017 General Fund Forecast.

GENERAL FUND

REVENUES

General Fund revenues through February 2012 totaled \$551.8 million. Although this represents an increase of \$12.0 million from the February 2011 level of \$539.8 million, both totals include borrowing proceeds from the Tax and Revenue Anticipation Notes (TRANS) issued for cash flow purposes. Through February 2012, \$100.0 million has been issued compared to the \$75.0 million issued by this time in 2011, representing a difference of \$25.0 million. Factoring out the TRANS issuances, General Fund revenues totaled \$451.8 million through February 2012 compared to \$464.8 million through February 2011 – a decrease of \$13.0 million (2.8%) from the prior fiscal year.

Excluding the TRANS, the slight drop in collections when compared to the prior year was due primarily to lower budgeted collections in the Transfers and Reimbursements and Revenue from Local Agencies categories, reflecting lower budgeted transfers from other funds as well as the loss in reimbursement from the San Jose Redevelopment Agency. The lower revenues in these categories were partially offset by higher collections in a number of categories, including Property Tax, Sales Tax, Transient Occupancy Tax, Franchise Fees, Licenses and Permits, Business Tax, and Revenue from the Federal Government.

Through February, General Fund revenues are tracking to slightly exceed the budgeted estimate, with higher collections in areas such as Sales Tax and Utility Tax. Collections will continue to be carefully monitored to determine if any adjustments to revenue estimates are necessary at year-end.

The following discussion highlights General Fund revenue activities through February.

GENERAL FUND

KEY GENERAL FUND REVENUES

Revenue	2011-2012 Estimate	YTD Actual	Prior YTD Collections
Property Tax	\$ 200,095,000	\$ 112,494,049	\$ 104,219,129

The Property Tax category consists of Secured Property Tax, Unsecured Property Tax, SB 813 Property Tax (retroactive collections back to the point of sale for reassessments of value due to property resale), Aircraft Property Tax, and Homeowners Property Tax Relief. Through February, \$112.5 million has been received, reflecting 56.2% of the budget for this category. The increase from the prior year is primarily due to higher Secured and Unsecured Property Tax and SB 813 Property Tax collections. Overall, based on information received from the County and current tracking, it appears as though Property Tax collections will be within budgeted levels by year end.

Secured Property Tax receipts account for \$98.0 million of the \$112.5 million received through February 2012. For 2011-2012, the modified budget estimate for Secured Property Taxes of \$183.3 million requires a 0.9% increase from 2010-2011 actual collections. The 2011-2012 collections are based on the value of property assessed on January 1, 2011, with any tax roll corrections. In March 2012, the County of Santa Clara provided its latest estimate of \$182.9 million for Secured Property Tax receipts, reflecting growth of 0.7% from the prior year. This slight increase marks the first positive performance after two years of declines in this category. Because tax roll adjustments are still occurring and will continue to take place until the end of May 2012, the Budget Office will continue to work with the County to monitor actual performance and estimate year-end collections. Based on the latest estimate, collections in this category may fall slightly below the budgeted estimate by approximately \$400,000.

In the Unsecured Property Tax category, collections through February totaled \$10.4 million, which was 5.2% above the prior year collection level of \$9.9 million. Payments through February historically account for approximately 90% of the total receipts in this category. If this historical collection trend continues, receipts in this category could exceed modified budget estimates of \$11.1 million by almost \$400,000.

For the SB 813 Property Tax category, collections totaled \$1.4 million through February, while no payments had been received last year at this time. Collections in 2010-2011 were significantly impacted by a backlog of refunds related to home sales in prior years. In 2011-2012, it was assumed that collections would return to normal levels. Based on the most recent information from the County of Santa Clara Controller's Office, the backlog of refunds has been resolved and receipts in this category are expected to total \$2.2 million in 2011-2012, an increase of 95.9% from the 2010-2011 level (\$1.1 million). While this collection level is up from 2010-2011 levels, it remains well below the \$3.0 million received in 2009-2010 and \$5.7 million received in 2008-2009. The 2011-2012 estimated receipts of \$2.2 million are also slightly below the budgeted estimate of \$2.3 million.

GENERAL FUND

Aircraft Property Tax collections of \$2.15 million through December reflect 96.3% of the budgeted revenue estimate of \$2.23 million. Similar to Unsecured Property Tax, receipts through February typically reflect over 90% of the annual revenue for this category. Should the historical trend continue, total receipts will slightly exceed the modified budget by year-end by approximately \$150,000.

It is anticipated that Homeowners Property Tax Relief revenue will be received at approximately the budgeted level of \$1.1 million based on the latest estimate from the County.

Revenue	2011-2012 Estimate	YTD Actual	Prior YTD Collections
Sales Tax	\$ 150,450,000	\$ 77,046,380	\$ 68,654,636

The Sales Tax category includes General Sales Tax and Proposition 172 Sales Tax.

The 2011-2012 modified budget estimate for General Sales Tax is \$146.1 million, which is 9.1% above the actual 2010-2011 collection level. This reflects actual performance for the first quarter (up 8.4%), one-time prior year adjustments and true-up payments, and the assumed growth of 3.0% for the remaining three quarters. Actual collections through February General Sales Tax receipts through February of \$74.6 million are tracking 12.3% above the prior year collection level of \$66.4 million and represent actual first quarter receipts along with a “triple flip” payment and advances from the State and one-time prior year adjustments and true-up payments.

While not reflected in the figures through February, the City has received information on the City’s Sales Tax performance in the second quarter that shows an increase of 6.2% from the same quarter in 2010-2011. This represents sales activity from October through December 2011. When comparing San Jose’s cash receipts to other jurisdictions, the growth in San Jose of 6.2% was comparable to the performance of Santa Clara County (up 6.4%) but was slightly below Northern California (up 8.4%) and the State as a whole (up 8.0%).

While cash receipts were up 6.2%, Sales Tax collections on an economic basis were up only 2.5%. The City’s Sales Tax consultant, MuniServices, LLC, provided economic performance data, which is considered to be a more accurate measure of the actual sales tax activity in San José for a particular period than the cash receipts. This analysis measures sales tax receipts, excluding state and county pools, and adjusts for anomalies, payments to prior periods, and late payments. City staff has not yet received the detailed information that shows the growth in the other categories (state and county pools, payments to prior periods, late payments).

On an economic basis, the increase in the most recent quarter was the result of increases in all sectors except Business-to-Business and Miscellaneous. The Business-to-Business sector experienced a decline of 16% when compared to the same period in the prior year. Last year, however, this sector experienced extremely strong growth of 23% in the second quarter.

GENERAL FUND

**Sales Tax Revenue Economic Performance
 2nd Quarter 2011-2012**

Economic Sector	% of Total Revenue	% Change from 2nd Quarter 2010-2011
General Retail	31.3%	+4.2%
Business to Business	21.2%	-16.0%
Transportation	22.9%	+18.7%
Food Products	15.3%	+ 5.4%
Construction	8.7%	+11.5%
Miscellaneous	0.6%	-10.5%
Total	100.0%	+2.5%

The year-over-year increase in cash receipts in the second quarter exceeded the 3.0% growth assumed in the 2011-2012 Modified Budget. Based on the higher collections in that quarter, Sales Tax receipts are expected to exceed the modified budget by approximately \$1.0 million. This higher collection level will also be factored into the 2012-2013 Proposed Budget. With the higher second quarter collection level, General Sales Tax receipts in 2011-2012 are expected to experience growth of slightly over 10% from the prior year.

Through February, the Proposition 172 Sales Tax receipts of \$2.5 million were tracking 11.2% above the prior year collection level. The 2011-2012 modified budget estimate, however, assumes growth of 7.7%. Based on year-to-date collection trends, it is likely receipts in this category will end the year above the budgeted estimate.

Revenue	2011-2012 Estimate	YTD Actual	Prior YTD Collections
Transient Occupancy Tax	\$ 8,300,000	\$ 4,639,080	\$ 3,907,775

Through February 2012, receipts recorded in the General Fund of \$4.6 million are 18.7% above the prior year collection level for the same period. The 2011-2012 modified budget assumes a 15% increase from the 2010-2011 year-end collection level. Based on current collection levels, it is anticipated that Transient Occupancy Tax receipts will achieve or exceed the budget revenue estimate of \$8.3 million by year-end.

In February, the average hotel occupancy rate at the 14 major hotels was 68.4%, a significant increase from the 61.1% occupancy rate for the same period in 2010-2011. For the same 14 hotels, the average daily room rate through February was \$125.21, up from the \$118.72 room rate for the same period in 2010-2011. The year-to-date average revenue-per-available room (revPAR) metric of \$73.79 represents an increase of 8.0% from the prior year level.

GENERAL FUND

Revenue	2011-2012 Estimate	YTD Actual	Prior YTD Collections
Utility Tax	\$ 90,245,000	\$ 51,318,952	\$ 51,321,228

Through February, Utility Tax receipts of \$51.3 million are tracking at last year's collection levels though current collection are understated due to a timing difference in payments. The 2011-2012 revised budgeted estimate requires growth of 2.7% from the prior year actual collections. This increase is primarily attributed a final settlement payment from PG&E (\$1.56 million) with the remaining increase attributed to anticipated growth in Gas, Electricity, and Telephone Utility Tax categories. Overall, Utility Tax receipts are tracking to meet or exceed current budgeted estimates after adjusting for timing differences in payments as discussed above.

In December, the City and PG&E came to a final settlement agreement of the funding necessary to correct for underpayments and related penalties and interest of Gas and Electric franchise fees, surcharges and utility user taxes from January 1, 2007 through December 31, 2010 that were not coded as San Jose properties in PG&E's billing system. This resulted in a one-time payment of \$1.56 million reported in the Utility Tax category.

In the Electric Utility Tax category, collections of \$22.8 million were tracking 4.7% below the prior year level of \$23.9 million through February. This significant variance is a result of the timing of payments. Once adjusted for actual receipts through February, collections are currently tracking to exceed prior year actuals by approximately 2.2%.

Gas Utility Tax receipts through February of \$3.7 million were 19.5% below the prior year collections of \$4.6 million. This significant variance is a result of the timing of payments. Once adjusted for actual receipts through February, it is anticipated that revenues will meet the revised \$9.0 million budgeted estimate, which requires growth of 3.8% over 2010-2011 actual collections of \$8.7 million. Actual collection in the Gas Utility Tax area are subject to significant fluctuations from impact of weather conditions and/or rate changes, as such, revenues will continue to be monitored closely for projected year end performance.

Water Utility Tax collections of \$6.0 million through February are tracking 20.7% above the prior year level of \$4.9 million due to differences in the timing of payments. Factoring out the timing differences, adjusted receipts are tracking 8.8% above the 2010-2011 level. This growth level slightly exceeds the 7.1% increase over the prior year needed to meet the budgeted estimate. The 2011-2012 estimate of \$9.2 million was based on projected rate increases in January 2012 which did occur. At this point, receipts are projected to meet or exceed the budgeted estimate. Consumption levels over the next several months will determine if adjustments to the revenue estimate will be appropriate before the end of the year.

GENERAL FUND

Telephone Utility Taxes receipts of \$17.3 million through February are tracking below the prior year level of \$17.8 million due to a timing difference in payments. After adjusting for these timing differences, collections are tracking slightly above 2010-2011 levels. The 2011-2012 revised budget estimate of \$31.2 million allows for a 1.0% decline from 2010-2011 levels, though based on current collection trends, revenues are anticipated to exceed budgeted estimates. Revenues will continue to be monitored closely and any year-end adjustments will be brought forward if needed before the end of the year.

Revenue	2011-2012 Estimate	YTD Actual	Prior YTD Collections
Business Taxes	\$ 40,174,000	\$ 26,017,258	\$ 23,767,016

This category consists of the following: Business Tax, Cardroom Tax, Marijuana Business Tax, and Disposal Facility Tax. Through February, overall collections of \$26.0 million are tracking 9.5% above the prior year collection level of \$23.8 million, reflecting higher collections in the Marijuana Business Tax, partially offset by lower collections in the Business Tax and Disposal Facility Tax categories. Currently, receipts in this category are expected to meet or slightly exceed the budgeted estimate by year-end.

Cardroom Tax receipts of \$8.7 million through February were 5.0% above the prior year level of \$8.3 million. Based on current performance, collections in the Cardroom Tax category are estimated at \$15.1 million in 2011-2012, an increase of 2.3% from the 2010-2011 collection level. This increase from the prior year reflects, in part, the impact of the Cardroom Tax ballot measure that was approved by the voters in June 2010. The ballot measure increased the tax rate from 13% to 15% and increased the maximum number of card tables from 80 to 98. The new rates went into effect on August 13, 2010, therefore the increase was not reflected in the first two months of the prior fiscal year. Though this accounts for some of the upward growth, the continued economic recovery is also a contributing factor in the additional activity.

Marijuana Business Tax receipts of \$2.2 million through February reflected collections for July through January 2012 and remain consistent with an average monthly collection of approximately \$300,000. Based on current collection trends, Marijuana Business Tax revenue is tracking to slightly exceed the 2011-2012 modified budgeted estimate of \$3.4 million by approximately \$200,000.

Business Tax receipts of \$8.8 million were 1.9% below the prior year level of \$8.9 million. The 2011-2012 Adopted Budget estimate of \$11.0 million represents an increase of 0.5% from actual receipts in 2010-2011 of \$10.9 million. Revenues will continue to be monitored closely, but are currently anticipated to end the year close to the budgeted estimate.

GENERAL FUND

Disposal Facility Tax receipts of \$6.4 million are tracking 2.4% below the prior year collection level of \$6.6 million. The 2011-2012 modified budget estimate of \$10.7 million allows for a decline of 3.4% from the prior year. Based on historical collection trends, collections are expected to end the year within the modified budgeted estimate.

Revenue	2011-2012 Estimate	YTD Actual	Prior YTD Collections
Licenses and Permits	\$ 35,287,770	\$ 30,592,474	\$ 28,918,576

This category includes Building Permits, Fire Permits, and Other Licenses and Permits. Through February, Licenses and Permits revenue of \$30.6 million tracked 5.8% above the prior year level of \$28.9 million. The 2011-2012 modified budget estimate; however, allows for a decline of 8.8% from the 2010-2011 collection level. Development-related activity experienced very strong growth in 2010-2011 due to a surge in collections in December 2010 resulting primarily from two new housing development in North San José and revenues in 2011-2012 continue to show strong growth. In order to keep pace with the increased demand, on January 31, 2012, City Council approved significant revisions in the Building and Fire Development Fee Programs.

Following is a discussion of the major components of this category.

Building Permit revenues of \$15.4 million through February is tracking slightly below the 2010-2011 collection level of \$15.6 million for the same period, but well above the budgeted estimate. The 2011-2012 modified budget estimate allows for a drop of 17.5% in this category. Revenues in building plan check, other building plan check, building permit, other building permit, electrical permit, other electrical permit, and permit processing categories are tracking above estimated levels. Strong revenue receipts are being driven by an increase in commercial and industrial permits, offset by slower residential activity. It is anticipated that Building Permit revenues will exceed the modified budget estimate of \$18.5 million by approximately \$3.6 million as a result of increased development activity. This additional activity necessitated staffing increases to meet the plan check and inspection service demands. In order to keep pace with the increased demand, on January 31, 2012, City Council approved the addition of 16 positions for the Building Fee Program, offset by additional revenues of \$1.9 million. Further information on the approved actions can be found at http://www.sanjoseca.gov/clerk/Agenda/20120131/20120131_0403.pdf.

Through February, Fire Permit collections of \$7.3 million were tracking above estimated levels and 24.4% above the prior year receipts of \$5.9 million. The Development program is currently tracking to exceed the modified budget estimate of \$4.1 million by approximately \$1 million. To address the higher development activity, three positions, offset by fee revenue of \$172,000, were also added to this program in January 2012. At this time, the Fire Department projects that the Non-Development program will end the year at budgeted revenue levels of \$3.9 million. The Budget Office and Fire Department will continue to monitor both development and non-development revenues closely.

GENERAL FUND

The Other Licenses and Permits collections of \$7.9 million are tracking 6.0% above the 2010-2011 collection level of \$7.4 million. Currently, receipts in this category are tracking close to the budgeted estimate of \$8.8 million, which assumes growth of 6.7% from the prior year.

Revenue	2011-2012 Estimate	YTD Actual	Prior YTD Collections
Departmental Charges	\$ 29,970,872	\$ 21,322,425	\$ 20,430,049

Through February, Departmental Charges revenues of \$21.3 million were tracking 4.4% above the 2010-2011 collection level of \$20.4 million. The 2011-2012 modified budget estimate; however, allows for a decline of 6.8% from the prior year actual receipts. The increase from the prior year reflects growth in several departmental charges categories, including Public Works, Transportation, Library, and Parks, Recreation and Neighborhood Services (PRNS), partially offset by lower collection in the Police and Miscellaneous Departmental Charges.

If current collection trends continue, overall Departmental Charges revenues will exceed the budgeted estimate by year-end. Transportation revenues are tracking to exceed budgeted levels primarily due to increased development activity and sidewalk repairs. PRNS revenues are also tracking to exceed the budgeted estimate due, in part, to higher fee activity revenue. A year-end adjustment may be necessary to recognize higher revenues in this category and allocate additional funding to cover the costs associated with delivering the fee activity classes. In addition, the Development Fee programs are tracking to exceed budgeted estimates as discussed in more detail below. Both Library and Miscellaneous Departmental Charges are anticipated to end the year at budgeted levels. Currently, the only category that is tracking below the budgeted estimate is Police Department fees, due primarily to lower collections for Impounded Vehicle Releases, and Tow Services Dispatch

Through February, Planning Fee revenue of \$1.6 million is at the same collection level as the prior year. The \$2.5 million adopted Planning Fee revenue estimate; however, allows for a drop of 6.8% from the prior year actuals. Revenues in this category are tracking within estimated levels and are expected to meet the budgeted estimate of \$2.5 million by year-end. As part of the Development Services Staffing Needs memorandum approved by the City Council in January, a temporary position was made permanent to address a projected spike in activity in the North San José area within the next six to eight months.

Public Works revenues through February of \$4.1 million are tracking well above the prior year level of \$3.2 million. Revenues in most residential categories are tracking well above estimated levels as several single family and multi-family residential projects have been processed in the first eight months of 2011-2012. At this time, collections are projected to exceed the budgeted revenue estimate of \$4.8 million in the Public Works Fee Program and it is anticipated that year-end clean-up actions will be recommended to recognize this increased activity and provide funding for costs incurred due to the increased activity that the program has experienced.

GENERAL FUND

Revenue	2011-2012 Estimate	YTD Actual	Prior YTD Collections
Transfers and Reimbursements	\$ 71,892,862	\$ 51,853,448	\$ 69,688,704

This category includes overhead reimbursements from operating and capital funds, transfers, and other reimbursements. Collections of \$51.9 million through February are tracking well below the prior year level of \$69.7 million primarily due to lower budgeted transfer amounts. The 2010-2011 budget included one-time transfers from the Integrated Waste Management Fund, the Healthy Neighborhoods Venture Fund, and various capital funds, as well as higher transfer amounts from the Airport Operations and Maintenance Fund for police and fire services.

Overhead reimbursements of \$27.3 million are tracking 7.8% below the prior year level of \$29.6 million. The 2011-2012 modified budget allows for a 7.7% decline from 2010-2011 actual levels and 2011-2012 receipts are anticipated to end the year within budgeted levels. .

Gas Tax reimbursements of \$7.5 million are tracking significantly below estimated levels (approximately \$600,000) and are projected to end the year below the \$15.7 million budgeted estimate. Collections will continue to be monitored and year-end adjustments will be brought forward for consideration as necessary should current collections trends continue.

EXPENDITURES

Through February, General Fund expenditures (without encumbrances) of \$586.4 million were 1.5% below the prior year level of \$595.3 million. This decrease from the prior year is primarily due to lower Departmental expenditures (Personal Services down \$14.0 million and Non-Personal/Equipment down \$4.3 million). Encumbrances of \$33.4 million were 13.5% above the prior year level of \$28.9 million. Expenditures and encumbrances (\$619.9 million) through February constitute 51.8% of the modified budget (excluding reserves) of \$941.0 million. Overall, collections are tracking slightly below estimated levels through February.

Departmental personal services and non-personal/equipment expenditures are generally tracking within or below estimated levels with a few exceptions discussed below. As the year progresses, departmental expenditures will continue to be monitored closely to ensure they remain within budgeted levels. Any necessary budget adjustments will be brought forward by year-end.

Following is a discussion of the financial performance in the Police and Fire Departments as well as a discussion of departments that are currently tracking to end the year above budgeted levels.

GENERAL FUND

KEY GENERAL FUND EXPENDITURES

Department	2011-2012 Budget	YTD Actual	Prior YTD Actual
Police	\$ 300,253,880	\$ 183,166,114	\$ 182,883,305

On an overall basis, Police Department expenditures are tracking slightly below estimated levels with savings of approximately \$3 million (1.0%) expected by year end. Personal Services expenditures of \$172.8 million tracked under anticipated levels (62.7% compared to the par of 63.8%) and are tracking to end the year approximately \$2 million below the modified budget. It should be noted that as sworn police positions became vacant, the Police Department, through coordination with the Budget Office, reinstated laid off Officers. As of January 1, 2012, the sworn reinstatement list was exhausted. To fill sworn vacancies and ensure full staffing in 2012-2013, the Department plans to hire lateral transfers from other law enforcement agencies and conduct a Fall Recruit Academy. To help expedite hiring, \$150,000 was approved as part of the 2011-2012 Mid-Year Budget Review for contractual backgrounding services and marketing. However, it is now anticipated that the backgrounding will be completed by existing staffing through the use of additional overtime.

Overtime expenditures of \$5.9 million through February tracked under anticipated levels with 56.1% expended; however, as the weather improves and more events take place throughout the City, it is projected that overtime spending will increase and expenditures will get closer to the par level. In addition, it is anticipated that overtime costs of approximately \$400,000 will be incurred to provide targeted enforcement of high crime activity, specifically towards gangs, prostitution, and graffiti, which will be funded through current vacancy savings. The Department manages overtime usage through various reporting requirements and pre-approval processes in order to readily identify mandatory versus discretionary usage. The process has improved overtime tracking and, in general, has helped the Police Department remain within its overtime allocation. In addition to monitoring overall overtime usage, the Department limits how much overtime can be earned for pay versus compensatory time. The compensatory time balance at the end of February 2012 was 163,207 hours for sworn personnel. This represents an increase of 2,406 hours (1.5%) from the December 2011 balance of 165,613, and a 24,667 hour decrease (13.1%) compared to the February 2011 balance of 187,874.

A total of \$13.5 million (54.6%) of the Department's Non-Personal/Equipment budget was expended or encumbered through February. Based on current expenditure trends, year-end savings of approximately \$1.0 million are anticipated in this category due primarily to lower than budgeted vehicle replacement costs.

GENERAL FUND

Department	2011-2012 Budget	YTD Actual	Prior YTD Actual
Fire Department	\$156,532,066	\$ 97,616,764	\$ 98,851,942

Overall, expenditures for the Fire Department were tracking slightly lower than budgeted estimates through February, with 62.9% expended. Personal Services expenditures through February tracked lower than budgeted levels with \$93.7 million expended (62.9% compared to the par of 63.8%). The Fire Department's Non-Personal/Equipment budget of \$7.5 million was 63.7% expended or encumbered through February and is expected to end the year within the budgeted allocation.

Expenditure levels are tracking within par primarily due the later timing of SAFER-funded academies, and overtime expenditures of \$3.0 million are tracking below estimated levels (59.8% compared to the par of 63.8%) through February. The Fire Department will continue to implement overtime control measures and continue to monitor on a daily basis minimum staffing. The Budget Office along with the Fire Department will continue to monitor activity to ensure the department remains within its Personal Services appropriation.

Through February, the Fire Department was staffed with 165 filled Firefighter Paramedic positions (152 front-line Firefighter paramedics, 5 Supervisors, and 8 support) compared to the 139 front-line Firefighter Paramedics that are necessary to fully staff all apparatus. The Department anticipates it will be able to maintain the target staffing level of 139 front-line Firefighter Paramedics.

As part of the City Council's approval of Department absence and vacancy rates (March 2010), it should be noted that the number of sworn administrative staff in the Department through February was within the authorized number of 31.

Department	2011-2012 Budget	YTD Actual	Prior YTD Actual
City Attorney's Office	\$11,118,521	\$ 7,126,051	\$ 7,560,474

Overall, expenditures for the City Attorney's Office are tracking higher than budgeted estimates through February, with 66.1% expended or encumbered. Personal Services expenditures through February are tracking to exceed budgeted levels with \$6.9 million (67.0% versus a par of 63.8%) of the \$10.3 million budget expended. The Attorney's Office Non-Personal/Equipment budget of \$797,000 was 57.4% expended or encumbered through February and is expected to end the year within the budgeted allocation.

GENERAL FUND

As part of the 2011-2012 Mid-Year Budget Review, an increase of \$325,000 to the Personal Services appropriation, partially offset by a \$125,000 reduction to the Non-Personal/Equipment appropriation, was approved to address higher than anticipated personal services expenditures. These expenditures, however, remain slightly above estimated levels through February due to vacation sellback expenses and vacancy savings which have been insufficient to meet the budgeted vacancy factor. The City Attorney's Office, however, is committed to managing its vacancies as well as closely controlling non-personal/equipment expenditures to ensure that total departmental expenditures remain within budgeted levels by year end. The Office is in the process of transferring personal services expenditures from the General Fund to special funds that were approved this year for legal services. However, after these transfers occur, the personal services expenditures are still estimated to exceed budgeted levels at year end. It is currently estimated the Personal Services appropriation expenditures may exceed budgeted levels by approximately \$100,000 by year end. Savings are anticipated to occur in the Non-Personal/Equipment appropriation to offset the potential personal services overage. If necessary, a recommendation will be brought forward as part the year-end clean-up budget actions to shift funding to ensure appropriations end the year within budgeted levels.

Department	2011-2012 Budget	YTD Actual	Prior YTD Actual
Parks, Recreation and Neighborhood Services	\$47,579,083	\$ 29,169,994	\$ 34,326,346

Overall, expenditures for the parks, Recreation and Neighborhood Service Department (PRNS) are tracking slightly above budgeted estimates through February, with 67.3% expended or encumbered.

Personal Services expenditures are 68.4% expended through February and are currently tracking to end the year approximately \$200,000 to \$450,000 above the budget. This is due, in part, to a lower number of vacancies this year. Because of the 2011-2012 budget actions, the majority of the department's vacancies were filled through employee bumping, demotions and lateral placements. The department has averaged less than 20 full-time vacancies during the year, many of which were backfilled as essential positions. The PRNS department is taking measures to manage its personal services expenditures, including the use of part-time staff, to help avoid a year-end overage in this category. The department's Non-Personal/Equipment is 75.7% expended or encumbered though February and is tracking to end the year within budget.

PRNS Fee Activity expenditures, a program whereby expenditures are supported directly by revenues, are tracking to end the year slightly above the modified budgeted estimate and a year-end adjustment may be necessary. Any expenditure adjustment, however, can be fully offset by additional fee-related revenue.

The PRNS Department will continue to closely monitor expenditure activity in all of these cost categories. If necessary, it is anticipated that net-zero adjustments within the expenditure and

GENERAL FUND

revenue categories will be brought forward at year-end to ensure that all categories remain within the budget.

CONTINGENCY RESERVE

The General Fund Contingency Reserve remains at \$29.3 million through February, with no revisions this fiscal year.

OTHER FUNDS

Airport Funds

Passenger activity in February 2012 was 2.6% below February 2011 as shown in the chart below. On a fiscal year-to-date basis, the Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 5.5 million passengers, a decrease of 1.2% from the figures reported through February of the prior year. The number of year-to-date passenger operations (landings and takeoffs) also fell in February and the fiscal year-to-date total trail the prior year by 2.6%.

Fiscal year-to-date mail, freight and cargo total 56.1 million pounds, which represents an 11.5% decrease from 2010-2011. Landed Weights are lower by 1.6%, while Taxicab operations exceed last fiscal year by 4.0%. Passenger Facility Charge (PFC) revenues trail the prior period by 2.3%.

SJC Passengers	Feb. 2012	Feb. 2011	% Change
Enplaned February	288,705	295,746	2.4%
Deplaned February	289,406	297,675	-2.8%
February Passengers	578,111	593,421	2.6%
YTD Enplanements	2,720,545	2,752,633	-1.2%

Airport operating revenues through February 2012 total \$103.7 million which includes \$26.6 million in reimbursement of eligible Terminal Area Improvement Program (TAIP) expenditures from bond proceeds. These funds will be held in reserve to address future budget issues. Total regular operating revenues are \$77.1 million, which is 2.3% above the budgeted estimate. With conservative revenue projections, some categories are outperforming the budget while other categories are falling below estimated levels.

Despite a decline in landing fees, overall performance of airline rates and charges is tracking above budgeted estimates principally due to higher common use ticket counter and gate revenues. Airfield revenues are 4.7% below the estimates as lower revenues were generated across the sectors within the category. Reduced minimum annual guarantee (MAG) associated with the closure of food and retail in Terminal A+ negatively impacted the performance of terminal concessions, which is at 99% of the prorated budget. Public parking revenues are 4.9% lower than budgeted estimates, but are offset by a 19.1% increase in rental car activity and

OTHER FUNDS

associated privilege fees that pushed the performance of parking and roadway revenues 2.6% above the budget.

Personal Services expenditures through February are tracking below the budgeted estimate at 58.9% expended due to departmental vacancies. Non-Personal/Equipment expenditures through February are 46.1% of budget compared to the benchmark of 59.6%. Current encumbrances of \$7.8 million bring total Personal Services and Non-Personal/Equipment commitments to \$39.8 million or 63.7% of the budget. Based on this performance, year-end expenditure savings are anticipated.

In the Airport Customer Facility and Transportation Fee Fund, Non-Personal/Equipment expenditures are tracking within budget. Revenue and expenditure appropriation adjustments in this fund will be brought forward for City Council approval on April 24, 2012 to reflect changes to the customer facility charge at the Airport and the issuance of Airport Revenue Bonds.

Construction and Conveyance Tax Funds

Collections through February 2012 totaled \$13.2 million (62.9% of the 2011-2012 estimate of \$21.0 million), which represents an increase of almost 6.5% from the \$12.4 million collected last year through February 2011. Furthermore, the City has also received March Conveyance Tax receipts totaling \$1.7 million, which represents a 41.2% increase from the \$1.2 million received in March 2011. This significant increase is very encouraging, as it is the largest single month growth compared to prior year activity since April 2011. The Construction and Conveyance Tax revenue estimate allows for a 1.8% drop from the 2010-2011 collection level. Based on current collection trends, receipts in this categories are expected to meet or slightly exceed the budgeted estimate by year end.

Housing statistics and tax receipts will be closely monitored and if necessary, adjustments to the Construction and Conveyance Tax revenue estimate will be recommended later in the year.

Other Construction Related Revenues

Through February, permit valuation for residential construction activity is below prior year levels; however, permit valuation for commercial and industrial construction activity are above last year's levels as discussed previously in the Economic Overview section. This permit activity drives the revenue collection in several categories, including the Construction Excise Tax and the Building and Structure Construction Tax, and is an indicator of future activity for several other categories, such as storm and sanitary sewer system fees.

Building and Structure Construction Tax – Receipts through February totaled \$7.6 million, which is 84.2% of the 2011-2012 modified budget estimate of \$9.0 million. This collection level is up (\$132,000) from prior year collections through February and the category is currently tracking to exceed the budgeted revenue estimate by approximately \$500,000. This additional revenue will be factored into the 2012-2013 Proposed Capital

OTHER FUNDS

Budget and 2013-2017 Capital Improvement Program that is scheduled to be released on April 25, 2012.

- *Construction Excise Tax* - Receipts of \$11.0 million are just slightly below (0.6%) the \$11.1 million collected during the same period last year. This collection level is 91.6% of the 2011-2012 modified budget estimate of \$12.0 million, and the category is currently tracking to exceed the budgeted revenue estimate by approximately \$1.0 million. This additional revenue will be factored into the 2012-2013 Proposed Capital Budget and 2013-2017 Capital Improvement Program that is scheduled to be released on April 25, 2012.

Convention and Cultural Affairs Fund

The Convention and Cultural Affairs Fund accounts for Team San José's (TSJ) operation of the City's Convention and Cultural Facilities. Through February, revenues and associated non-personal/equipment expenses are tracking higher than budget.

Revenues through February are tracking above anticipated levels. While operating revenues of \$8.6 million have been recognized, additional operating revenues of \$1.4 million have been reported by TSJ but have not yet been recognized in the fund. With a budgeted year-end revenue estimate of \$15.6 million, year-to-date collections of \$10.0 million are higher than TSJ forecasted levels. According to TSJ, the higher than anticipated revenue levels will continue through the remainder of the fiscal year, and collections may exceed the budgeted level by as much as \$2.5 million. It should be noted, however, that a significant portion of these additional revenues are offset by corresponding additional expenditures.

Expenditures of \$12.3 million reported by TSJ for the Non-Personal/Equipment appropriation, which accounts for the majority of their operating expenses, are higher than TSJ forecasted levels. The higher expenditure level is primarily a result of the increased business activity, especially in the food and beverage and contractual labor categories. A small portion of the higher than anticipated expenditures are related to facility needs intended to enhance the guest experience, such as carpet, plants, dishes, and flatware. As mentioned previously, these increased expenditure levels are offset by additional revenue. With the increases in activity and revenue levels, an increase to the Non-Personal/Equipment appropriation was approved by the City Council as part of the 2011-2012 Mid-Year Budget Review, which brought the Non-Personal/Equipment Budget to \$18.4 million. With even higher activity levels than assumed at the time of that adjustment, TSJ now anticipates year-end expenses could approach \$20.5 million, exceeding the current budget by \$2.1 million. An adjustment, therefore, will likely be recommended to increase this appropriation and would be offset by higher than anticipated revenues. All other appropriations are tracking within anticipated levels.

The Ending Fund Balance in this fund is necessary to sustain operations through the expansion and renovation to the Convention Center, which is anticipated to have a negative impact to revenue collections during the construction period, as well as offset any prolonged periods of

OTHER FUNDS

reduced activity. The Unrestricted Ending Fund Balance is currently \$4.7 million. With increased revenues and expenditure savings in various appropriations, partially offset by increased expenditures in the Non-Personal/Equipment appropriation, it is currently anticipated that this fund balance could be increased by as much as \$500,000.

Transient Occupancy Tax Fund

Through February 2012, receipts recorded in the TOT Fund of \$7.0 million are 17.4% above the prior year collection level for the same period. The 2011-2012 modified budget assumes an increase of 14.3% from the 2010-2011 collection level. Based on current collection levels, it is anticipated that TOT receipts will achieve or exceed the budgeted revenue estimate of \$12.5 million by year-end.

The 2011-2012 revised allocations to the three recipient organizations (Convention and Cultural Affairs Fund, Convention and Visitors Bureau, Cultural Grants/Programs and Services) are anticipated to be fully expended by the end of the year.

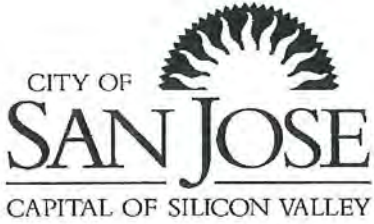
In February the average hotel occupancy rate at the 14 major hotels was 68.4%, a significant increase from the 61.1% occupancy rate for the same period in 2010-2011. For the same 14 hotels, the average daily room rate through February was \$125.21, up from the \$118.72 room rate for the same period in 2010-2011. The year-to-date average revenue-per-available room (RevPAR) metric of \$73.79 represents an increase of 8.0% from the prior year level.

CONCLUSION

Through February, the City's funds are performing within budgeted expectations. For the General Fund, revenues are tracking to slightly exceed the budgeted estimate and expenditures are tracking below budgeted levels and are anticipated to have savings by year end. Based on current projections, it is estimated that the General Fund will end the year with slightly higher ending fund balance than assumed when the 2013-2017 General Fund Forecast was developed. It is anticipated that an adjustment to the 2011-2012 Ending Fund Balance/2012-2013 Beginning Fund Balance estimate will be revised as part of the 2012-2013 Proposed Budget that will be released on May 1, 2012. This will provide additional one-time resources for allocation in the Proposed Budget.

As new information is received, any additional adjustments in the General Fund as well as other City funds resulting from actual 2011-2012 performance will be brought forward before the end of the year. As always, staff will continue to report to the City Council any and all significant developments through this reporting process.


JENNIFER A. MAGUIRE
Budget Director



FINANCE DEPARTMENT

Monthly Financial Report

Financial Results for the 8 Months Ended February 29, 2012
Fiscal Year 2011-12
(UNAUDITED)

Finance Department, City of San José
Monthly Financial Report
Financial Results for the 8 Months Ended February 29, 2012
Fiscal Year 2011-12
(UNAUDITED)

Table of Contents

	<i>Page Reference</i>
General Fund	
Comparison of Current Year's Monthly Cash Balance vs. Prior Year's Balance.....	1
Comparison of Current Year-to-Date Revenues vs. Prior Year-to-Date Revenues.....	2
Comparison of Current Year-to-Date Expenditures vs. Prior Year-to-Date Expenditures.....	2
Comparison of Current Year-to-Date Revenues for Major Revenue Sources vs. Prior Year-to-Date Revenues.....	3
Comparison of Current Year-to-Date Expenditures by Type vs. Prior Year-to-Date Expenditures.....	3
Schedule of Sources and Uses of Funds.....	4
Supplemental Schedule of Departmental Revenues.....	7
Other Funds	
<i>Special Funds</i>	
Comparison of Construction & Conveyance Tax Funds YTD Revenues vs. Prior Year's Corresponding YTD Revenues.....	8
Comparison of Construction & Conveyance Tax Funds YTD Expenditures vs. Prior Year's Corresponding YTD Expenditures.....	8
YTD Revenues and YTD Expenditures for:	
Airport Revenue Fund 521 and Airport Maintenance & Operating Fund 523.....	9
WPCP Operating Fund 513.....	10
Parking Operations Fund 533.....	11
Schedule of Sources and Uses of Funds	12

Finance Department, City of San José
Monthly Financial Report
Financial Results for the 8 Months Ended February 29, 2012
Fiscal Year 2011-12
(UNAUDITED)

Table of Contents

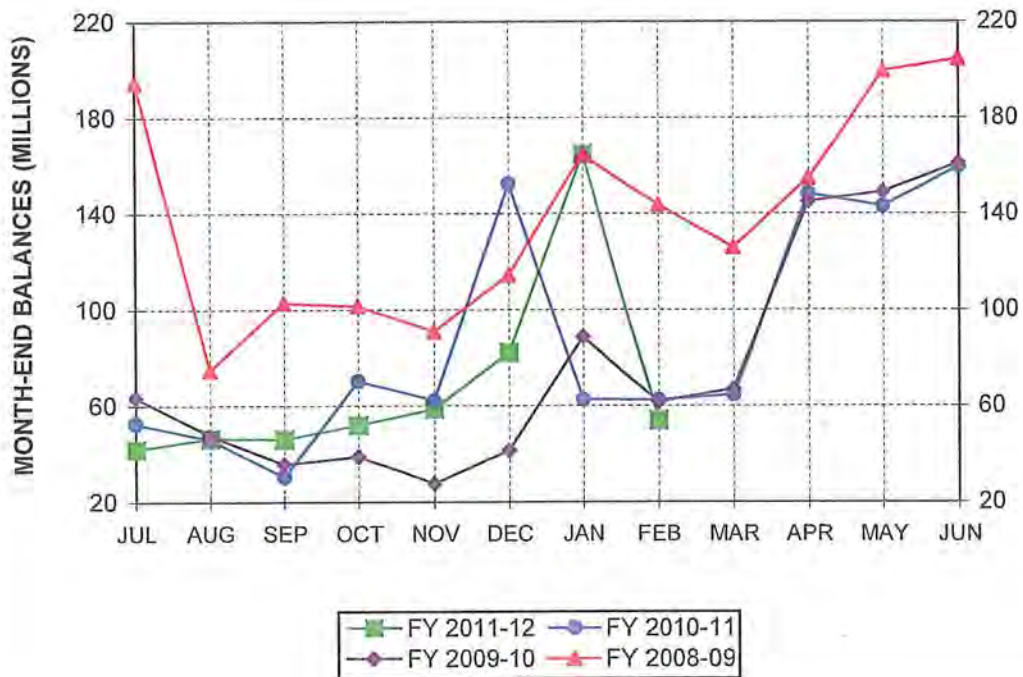
	<i>Page Reference</i>
Other Funds (Cont'd)	
<i>Capital Project Funds</i>	
Schedule of Sources and Uses of Funds.....	15
<i>Other Fund Types</i>	
Schedule of Sources and Uses of Funds.....	16

Submitted by:


JULIA H. COOPER

Acting Director, Finance Department

GENERAL FUND Comparison of Cash Balances



GENERAL FUND MONTHLY CASH BALANCES

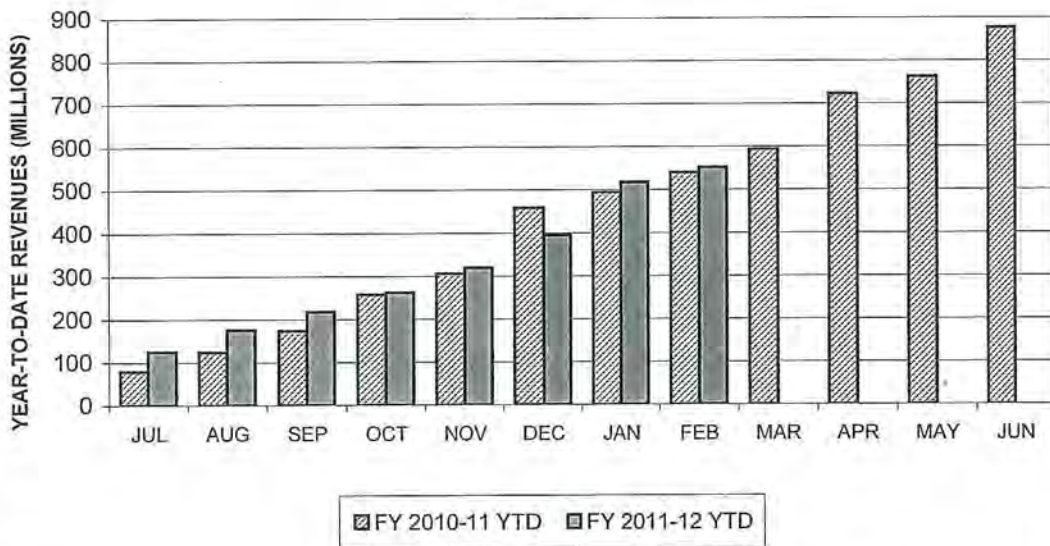
MONTH	FY 2011-12	FY 2010-11	FY 2009-10	FY 2008-09
JULY (1)	\$ 41,946,493	\$ 52,614,304	\$ 63,344,537	\$ 194,527,843
AUGUST (1)	46,502,235	45,992,983	47,689,216	74,677,718
SEPTEMBER	46,218,737	30,525,385	35,662,298	102,811,355
OCTOBER	52,097,481	70,246,706	38,946,966	101,433,688
NOVEMBER	58,833,627	62,333,059	27,736,074	90,892,525
DECEMBER (2)	82,304,186	152,493,162	41,491,217	114,535,815
JANUARY (3)	164,958,541	62,749,463	88,749,418	164,539,700
FEBRUARY (3)	54,118,810	62,572,017	61,606,869	143,802,507
MARCH		64,768,564	66,979,823	125,900,953
APRIL		148,465,097	145,213,763	154,701,704
MAY		143,186,930	149,064,276	199,321,150
JUNE		159,719,466	161,013,785	204,474,123

Note: (1) The General Fund cash balance decrease in July 2011 (also in August 2008, July 2009 and July 2010) was mainly due to the Council's direction to annually pre-fund the employer share of retirement contributions in a lump-sum to achieve budgetary savings to the City.

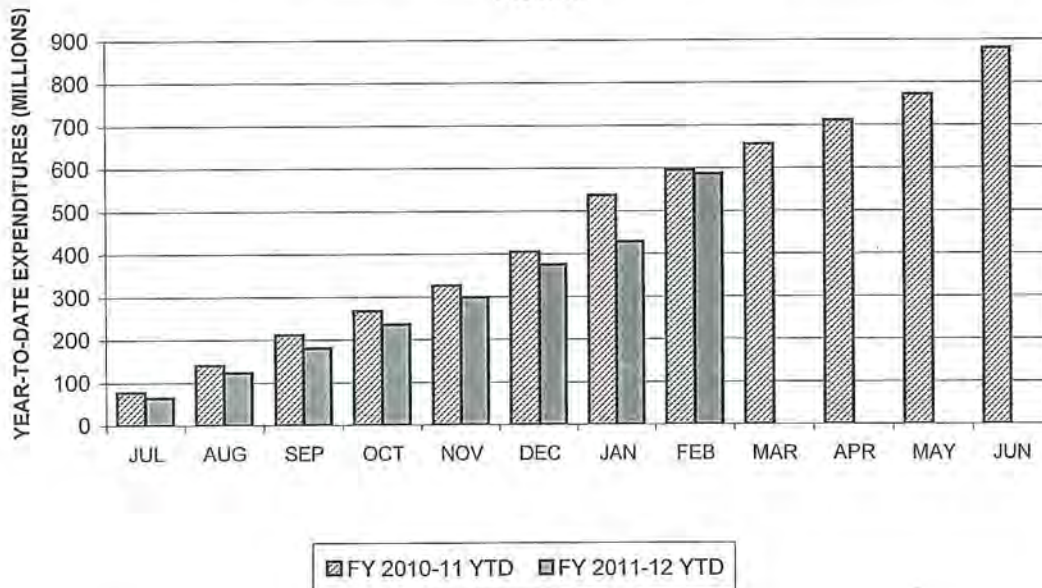
Note: (2) The General Fund cash balance increase in December 2010 was mainly due to the timing of the receipt of \$88.5 million in Property Tax revenue and \$16.7 million in Sales Tax revenue. These revenues are typically posted in January each year.

Note: (3) The General Fund cash balance decrease in January 2011 and February 2012 was mainly due to the repayment of the Tax and Revenue Anticipation Notes (TRANS) in the amount of \$75 million and \$100 million, respectively.

**GENERAL FUND
Comparison of YTD Revenues
Actual**



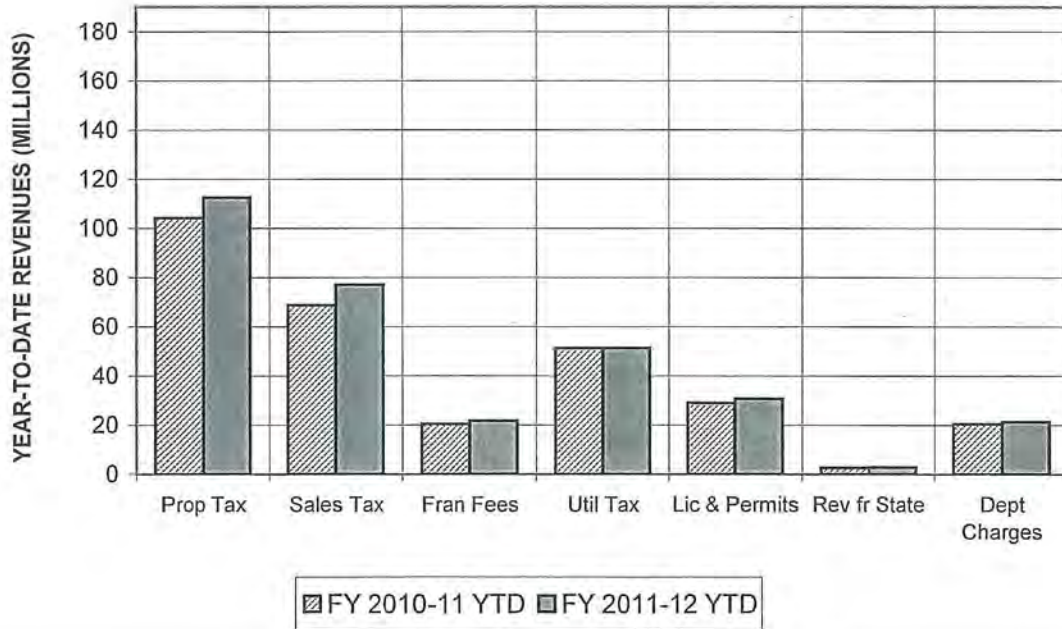
**GENERAL FUND
Comparison of YTD Expenditures
Actual**



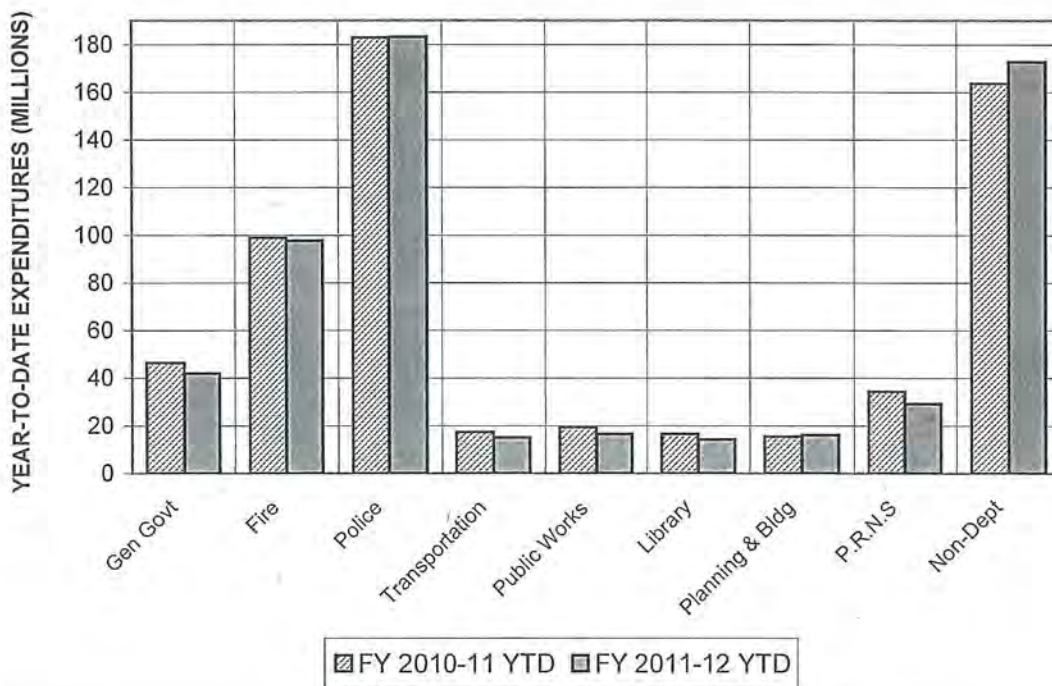
General Fund Revenue includes issuance of Tax and Revenue Anticipation Notes (TRANS) in the amount of \$75 million (\$40 million in July 2010 and \$35 million in October 2010) and \$100 million in July 2011 for cash flow borrowing.

General Fund Expenditures includes repayment of TRANS in the amount of \$75 million in January 2011 and \$100 million in February 2012.

GENERAL FUND MAJOR REVENUES
Comparison of YTD Actual vs. Prior YTD Actual
For the 8 Months Ended February 29, 2012



GENERAL FUND MAJOR EXPENDITURES
Comparison of YTD Actual vs. Prior YTD Actual
For the 8 Months Ended February 29, 2012



CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE 8 MONTHS ENDED FEBRUARY 29, 2012
(UNAUDITED)
(\$000's)

	ADOPTED FY 2011-12 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2011-12 BUDGET	CUR YTD ACTUAL	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Fund Balance											
Prior Year Encumbrances	\$ -	-	19,956	19,956	19,956	100.00%	16,706	106.29%	15,717	3,250	19.45%
Liquidation of c/o Encumbrance	-	-	-	-	-	-	-	-	4,918	-	-
Available Balance	121,061	16,476	-	137,537	137,537	100.00%	141,398	99.94%	141,484	(3,861)	-2.73%
Total Fund Balance	121,061	16,476	19,956	157,493	157,493	100.00%	158,104	97.52%	162,119	(611)	-0.39%
General Revenues											
Property Tax	201,454	(1,359)	-	200,095	112,494	56.22%	104,219	53.50%	194,814	8,275	7.94%
Sales Tax (Note 1)	140,906	9,544	-	150,450	77,046	51.21%	68,655	49.76%	137,970	8,391	12.22%
Telephone Line Tax	20,525	-	-	20,525	11,936	58.15%	11,945	57.86%	20,643	(9)	-0.08%
Transient Occupancy Tax	7,202	1,098	-	8,300	4,639	55.89%	3,908	54.11%	7,222	731	18.71%
Franchise Fees	43,025	(400)	-	42,625	21,625	50.74%	20,413	49.46%	41,273	1,213	5.94%
Utility Tax	88,035	2,210	-	90,245	51,319	56.87%	51,321	58.40%	87,885	(2)	0.00%
Business Taxes	38,795	1,379	-	40,174	26,014	64.75%	23,767	62.61%	37,959	2,247	9.45%
Licenses and Permits	34,567	721	-	35,288	30,593	86.70%	28,919	74.66%	38,735	1,674	5.79%
Fines, Forfeits and Penalties	17,471	(500)	-	16,971	11,042	65.06%	11,900	66.38%	17,926	(858)	-7.21%
Use of Money and Property	2,413	61	-	2,474	2,255	91.15%	1,973	54.28%	3,635	282	14.29%
Revenue from Local Agencies	19,331	(1,852)	-	17,479	8,419	48.17%	30,035	68.15%	44,075	(21,616)	-71.97%
Revenue from State of Cal.	14,465	49	-	14,514	2,813	19.38%	2,698	15.05%	17,926	115	4.26%
Revenue from Federal Government	21,206	3,170	-	24,378	7,605	31.20%	4,522	48.46%	9,332	3,083	68.18%
Departmental Charges (Note 2)	29,577	394	-	29,971	21,322	71.14%	20,430	63.55%	32,150	892	4.37%
Other Revenues (Note 3)	14,919	101,228	-	116,147	110,801	95.40%	85,225	92.07%	92,566	25,576	30.01%
Total General Revenues	693,893	115,743	-	809,636	499,924	61.75%	469,930	59.93%	784,111	29,994	6.38%
Transfers & Reimbursements											
Overhead Reimbursements	37,752	(1,446)	-	36,306	27,319	75.25%	29,627	85.93%	34,480	(2,308)	-7.79%
Transfers from Other Funds	16,745	2,328	-	19,073	16,594	87.00%	34,624	83.53%	41,451	(18,030)	-52.07%
Reimbursements for Services	16,372	142	-	16,514	7,940	48.08%	5,268	32.67%	16,125	2,672	50.72%
Total Transfers & Reimburse	70,869	1,024	-	71,893	51,853	72.13%	69,519	75.52%	92,056	(17,666)	-25.41%
Total Sources	\$ 885,823	133,243	19,956	1,039,022	709,270	68.26%	697,553	67.18%	1,038,286	11,717	1.68%

Note 1 - State Budget Balancing actions resulted in the "Triple Flip", which suspended a portion of local governments' Sales and Use Tax and Motor Vehicle License Fee revenues and replaced them with local property tax revenues. The 2011-2012 impact through February 2012 is approximately \$1.9 million.

Note 2 - See Supplemental Schedule on Page 7.

Note 3 - Includes issuance of Tax and Revenue Anticipation Notes (TRANS) in the amount of \$75 million (\$40 million in July 2010 and \$35 million in October 2010) and \$100 million in July 2011 for cash flow borrowing.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE 8 MONTHS ENDED FEBRUARY 29, 2012
(UNAUDITED)
(\$000's)

	ADOPTED FY 2011-12 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2011-12 BUDGET	YEAR-TO-DATE		CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL(1)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL(1)	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
General Government												
Mayor and Council	\$ 10,319	(274)	43	10,088	5,479	38	54.31%	4,793	63.41%	7,559	686	14.31%
City Attorney	10,790	94	235	11,119	7,126	226	64.09%	7,305	64.01%	11,413	(179)	-2.45%
City Auditor	2,001	(19)	7	1,989	1,174	6	59.02%	1,172	66.03%	1,775	2	0.17%
City Clerk (2)	2,343	(513)	69	1,899	1,030	56	54.24%	3,117	80.34%	3,880	(2,087)	-66.96%
City Manager	10,113	(166)	502	10,449	5,994	632	57.36%	7,400	63.93%	11,575	(1,406)	-19.00%
Finance	12,181	(464)	293	12,010	6,825	620	56.83%	6,957	63.45%	10,965	(132)	-1.90%
Information Technology	13,974	256	611	14,841	7,269	1,181	48.98%	8,869	62.66%	14,155	(1,600)	-18.04%
Human Resources	6,024	(64)	56	6,016	3,301	249	54.87%	4,517	65.29%	6,918	(1,216)	-26.92%
Independent Police Auditor	963	(7)	3	959	586	4	61.11%	512	62.21%	823	74	14.45%
Office of Economic Development	5,359	(325)	162	5,196	3,158	600	60.78%	1,730	61.33%	2,821	1,428	82.54%
Total General Government	74,067	(1,482)	1,981	74,566	41,942	3,612	56.25%	46,372	64.51%	71,884	(4,430)	-9.55%
Public Safety												
Fire	158,624	(2,272)	180	156,532	97,617	842	62.36%	98,852	64.72%	152,743	(1,235)	-1.25%
Police	298,336	119	1,798	300,253	183,166	3,132	61.00%	182,883	63.37%	288,599	283	0.15%
Total Public Safety	456,960	(2,153)	1,978	456,785	280,783	3,974	61.47%	281,735	63.84%	441,342	(952)	-0.34%
Capital Maintenance												
Transportation	24,562	(69)	833	25,306	14,969	1,129	59.15%	17,300	61.66%	28,057	(2,331)	-13.47%
Public Works	26,447	573	323	27,343	16,446	2,381	60.15%	19,282	64.91%	29,705	(2,836)	-14.71%
Total Capital Maintenance	51,009	484	1,156	52,649	31,415	3,510	59.67%	36,582	63.33%	57,762	(5,167)	-14.12%

(1) Does not include encumbrance balance.

(2) Mainly due to \$1.93 million in Elections expenditures for for the cost of the June 8, 2010 and November 2, 2010 elections.

**CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE 8 MONTHS ENDED FEBRUARY 29, 2012
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END	CUR YTD LESS	% CHANGE
	FY 2011-12	BUDGET		FY 2011-12	ACTUAL	ENCUMBR	OF BUDGET	YTD	OF PRIOR	BUDGETARY	PRIOR YTD	CUR YTD ACTUAL
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	OF BUDGET	ACTUAL(1)	YEAR-END	ACTUAL	ACTUAL(1)	LESS PRIOR YTD
Community Service												
Library	22,642	(450)	165	22,357	14,160	452	63.34%	16,477	66.26%	24,868	(2,317)	-14.06%
Planning, Bldg & Code Enf.	27,322	1,939	219	29,480	16,075	162	54.53%	15,406	64.23%	23,985	669	4.34%
Park, Rec & Neigh Svcs	45,560	1,588	431	47,579	29,169	2,873	61.31%	34,326	62.01%	55,354	(5,157)	-15.02%
Environmental Services	562	16	40	618	267	79	43.20%	338	66.27%	510	(71)	-21.01%
Total Community Services	96,086	3,093	855	100,034	59,671	3,566	59.65%	66,547	63.55%	104,717	(6,876)	-10.33%
Total Dept. Expenditures	\$ 678,122	(58)	5,970	684,034	413,811	14,662	60.50%	431,236	63.82%	675,705	(17,425)	-4.04%
Non-Dept Expenditures												
City-wide Expenditures:												
Econ & Neighborhood Develop.	\$ 22,343	(14,207)	1,704	9,840	4,708	2,091	47.85%	17,700	75.49%	23,448	(12,992)	-73.40%
Environmental & Utility Services	10,337	355	-	10,692	3,479	2,131	32.54%	2,266	55.72%	4,067	1,213	53.53%
Public Safety	22,873	2,093	1,236	26,202	13,059	3,178	49.84%	12,849	61.47%	20,902	210	1.63%
Recreation & Cultural Services	6,847	1,162	834	8,843	4,403	2,034	49.79%	8,143	57.06%	14,272	(3,740)	-45.93%
Transportation Services	4,824	641	653	6,118	2,637	1,026	43.10%	2,223	51.76%	4,295	414	18.62%
Strategic Support (2)	45,717	98,509	5,471	149,697	111,802	5,970	74.69%	88,945	85.42%	104,129	22,857	25.70%
Total City-wide Expenditures	112,941	88,553	9,898	211,392	140,088	16,430	66.27%	132,126	77.22%	171,113	7,962	6.03%
Capital Contributions	9,695	1,601	4,088	15,384	2,822	2,313	18.34%	3,007	63.53%	4,733	(185)	-6.15%
Transfers to Other Funds	25,094	5,116	-	30,210	29,814	-	98.69%	28,534	100.00%	28,534	1,280	4.49%
Total Non-Dept Expenditures	147,730	95,270	13,986	256,986	172,724	18,743	67.21%	163,667	80.08%	204,380	9,057	5.53%
Reserves												
Contingency Reserves	29,309	-	-	29,309	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	30,662	38,031	-	68,693	-	-	0.00%	-	0.00%	-	-	0.00%
Total Reserves	59,971	38,031	-	98,002	-	-	0.00%	-	0.00%	-	-	0.00%
Total Uses	\$ 885,823	133,243	19,956	1,039,022	586,536	33,405	56.45%	594,903	67.60%	880,085	(8,368)	-1.41%

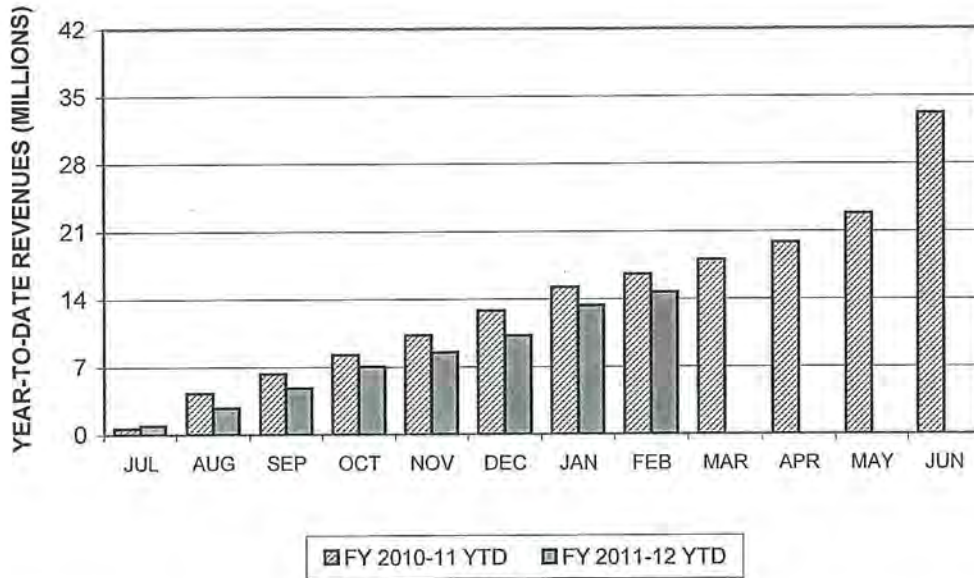
(1) Does not include encumbrance balance.

(2) Includes repayment of Tax and Revenue Anticipation Notes (TRANS) in the amount of \$75 million in January 2011 and \$100 million in February 2012.

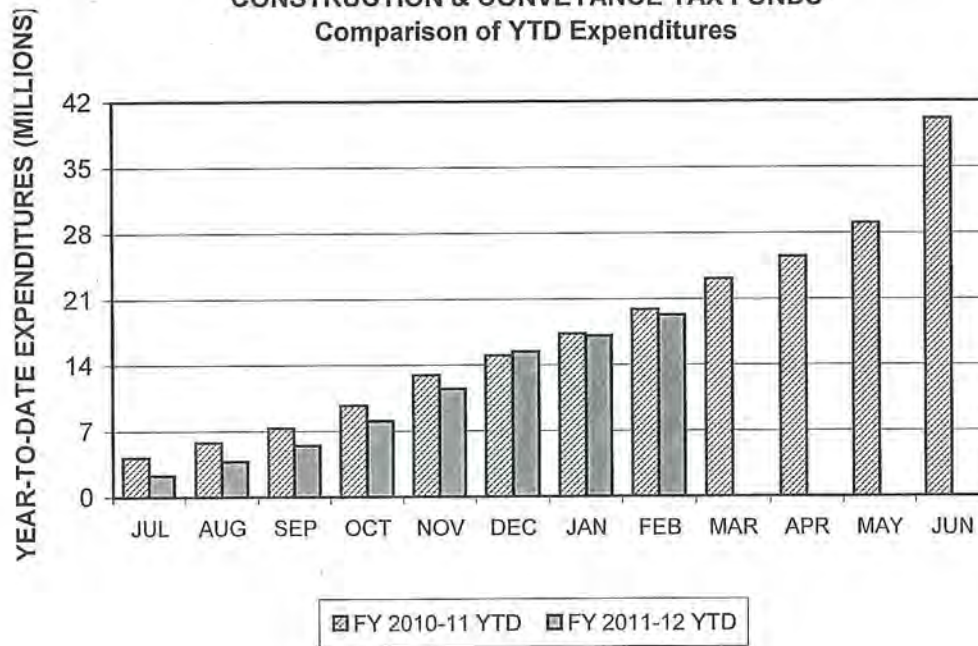
CITY OF SAN JOSE
 GENERAL FUND SOURCE AND USE OF FUNDS
 FOR THE 8 MONTHS ENDED FEBRUARY 29, 2012
 SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
 (UNAUDITED)
 (\$000's)

	ADOPTED FY 2011-12 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2011-12 BUDGET	CUR YTD ACTUAL	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Police	\$ 1,785	-	-	1,785	1,066	59.72%	1,154	66.13%	1,745	(88)	-7.63%
Public Works	4,805	-	-	4,805	4,137	86.10%	3,381	59.40%	5,692	756	22.36%
Transportation	849	-	-	849	856	100.82%	795	72.54%	1,096	61	7.67%
Library	1,411	(300)	-	1,111	626	56.35%	535	38.35%	1,395	91	17.01%
Planning, Bldg & Code Enf	2,469	-	-	2,469	1,846	66.67%	1,652	62.36%	2,649	(6)	-0.36%
Parks Rec & Neigh Svcs	12,951	694	-	13,645	9,313	68.25%	9,053	66.02%	13,712	260	2.87%
Miscellaneous Dept Charges	5,307	-	-	5,307	3,678	69.30%	3,860	65.86%	5,861	(182)	-4.72%
Total Departmental Revenues \$	29,577	394	-	29,971	21,322	71.14%	20,430	63.55%	32,150	892	4.37%

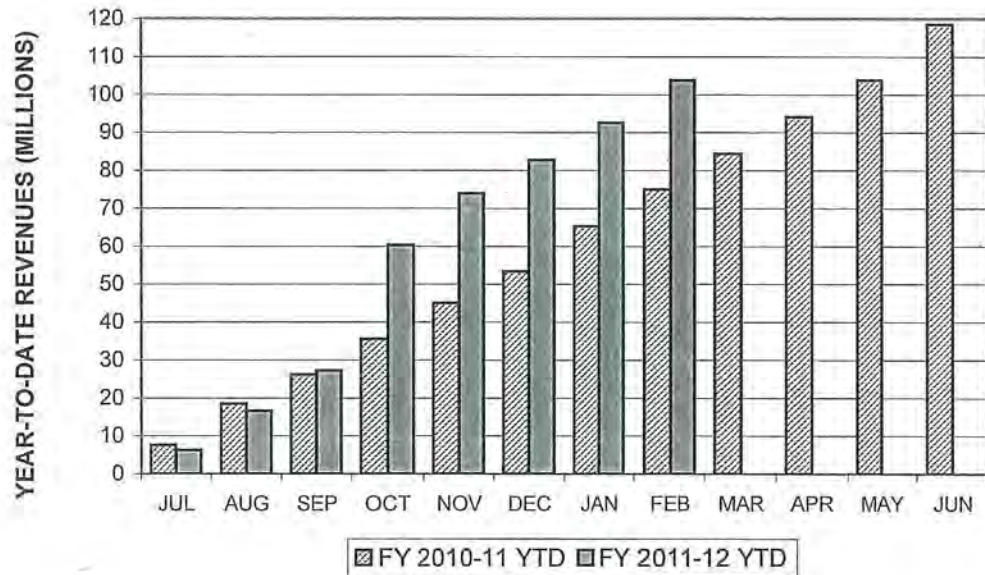
**CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Revenues**



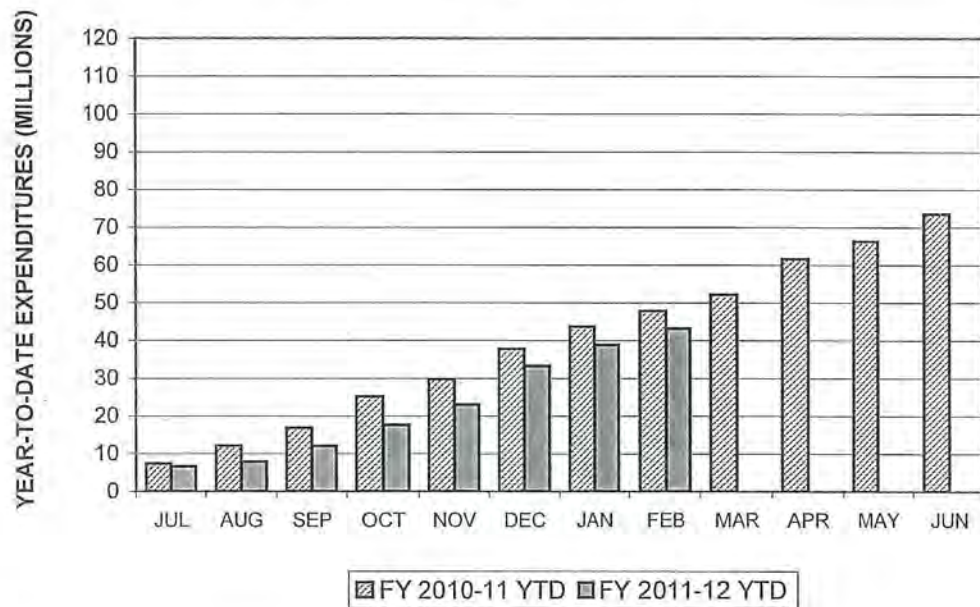
**CONSTRUCTION & CONVEYANCE TAX FUNDS
Comparison of YTD Expenditures**



**AIRPORT REVENUE FUND 521
Comparison of YTD Revenues**



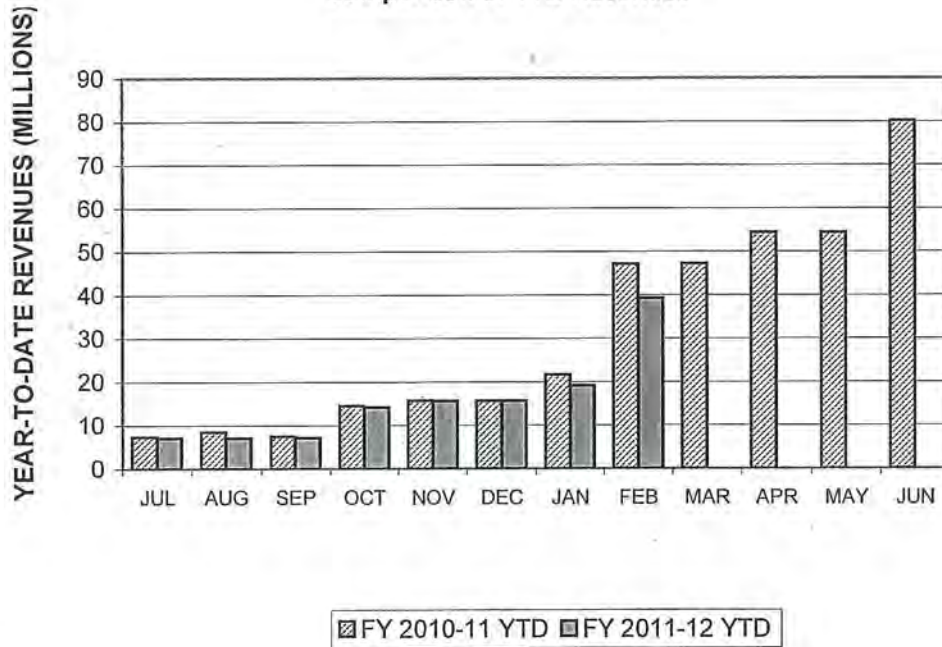
**AIRPORT MAINTENANCE & OPERATING FUND 523
Comparison of YTD Expenditures**



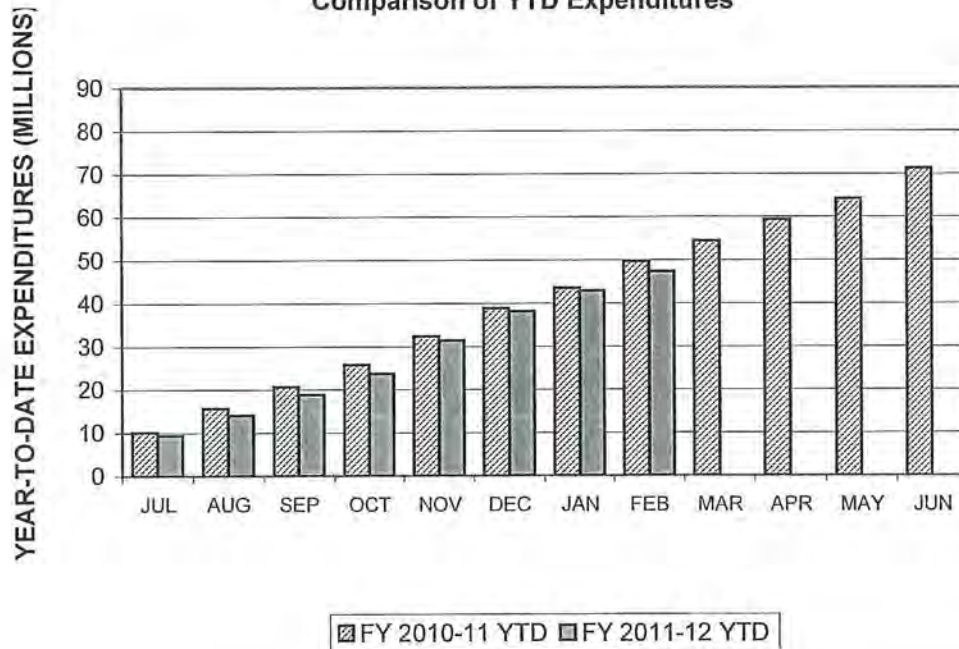
Airport Revenue includes the reimbursement of \$22.2 million in October 2011 for previously paid expenditures from the proceeds of the City's Airport Revenue Bonds, Series 2007A (AMT), pursuant to the Proceeds Allocation Certificate executed on September 30, 2011.

Note: The graphs above include the airport revenue fund (521) and operating fund (523) only.

**WPCP OPERATING FUND 513
Comparison of YTD Revenues**

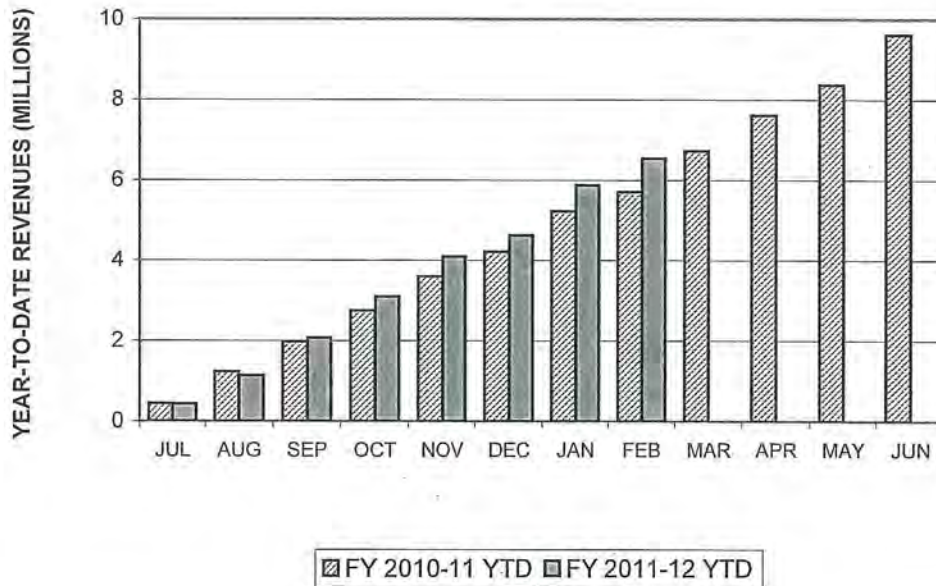


**WPCP OPERATING FUND 513
Comparison of YTD Expenditures**

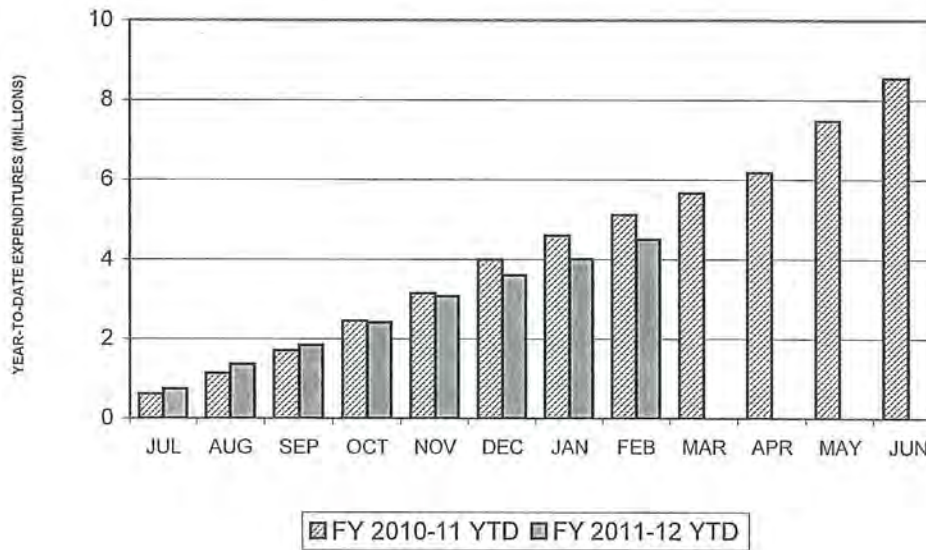


Note: Graphs above are only for WPCP operating fund (513).

**PARKING OPERATING FUND 533
Comparison of YTD Revenues**



**PARKING OPERATING FUND 533
Comparison of YTD Expenditures**



Note: Graphs above are only for Parking operating fund (533).

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE 8 MONTHS ENDED FEBRUARY 29, 2012
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2011-12 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2011-12 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Construction/Conveyance Tax							
Prior Year Encumbrance	\$ -	-	7,585	7,585	7,585	N/A	8,295
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	50,734	20,051	-	70,785	70,785	N/A	76,866
Revenues	29,022	(220)	-	28,802	14,672	N/A	16,557
Total Sources	79,756	19,831	7,585	107,172	93,042	N/A	101,718
Total Uses	79,756	19,831	7,585	107,172	19,299	6,355	19,858
Airport							
Prior Year Encumbrance	\$ -	-	12,481	12,481	12,481	N/A	86,287
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	448,217	(24,570)	-	423,647	423,647	N/A	470,679
Revenues	346,149	2,230	-	348,379	198,503	N/A	211,437
Total Sources	794,366	(22,340)	12,481	784,507	634,631	N/A	768,403
Total Uses	794,366	(22,340)	12,481	784,507	188,922	59,724	263,385
(Note 1)							
Waste Water Treatment							
Prior Year Encumbrance	-	-	43,841	43,841	43,841	N/A	45,356
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	217,419	25,648	-	243,067	243,067	N/A	217,659
Revenues	283,802	1,495	-	285,297	216,105	N/A	208,170
Total Sources	501,221	27,143	43,841	572,205	503,013	N/A	471,185
Total Uses	501,221	27,142	43,841	572,204	150,725	46,154	151,231
(Note 2)							
Parking							
Prior Year Encumbrance	-	-	1,005	1,005	1,005	N/A	730
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	8,021	2,691	-	10,712	10,712	N/A	13,121
Revenues	10,493	(35)	-	10,458	6,539	N/A	5,704
Total Sources	18,514	2,656	1,005	22,175	18,256	N/A	19,555
Total Uses	\$ 18,514	2,656	1,005	22,175	4,497	2,655	5,110

Note 1 - All Airport Funds, including operating, revenue, capital and debt service.

Note 2 - All Waste Water Funds, including operating, revenue, capital and debt service.

(1) Does not include encumbrance balance.

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE 8 MONTHS ENDED FEBRUARY 29, 2012
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2011-12	BUDGET		FY 2011-12	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Municipal Water							
Prior Year Encumbrance	-	-	1,563	1,563	1,563	N/A	767
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	12,831	2,375	-	15,206	15,206	N/A	13,297
Revenues	30,814	(126)	-	30,688	23,879	N/A	21,052
Total Sources	43,645	2,249	1,563	47,457	40,648	N/A	35,116
Total Uses	43,645	2,250	1,563	47,458	20,479	2,162	15,825
Gas Tax							
Prior Year Encumbrance	-	-	-	-	-	N/A	-
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	-	-	-	-	-	N/A	-
Revenues	15,667	-	-	15,667	7,537	N/A	5,036
Total Sources	15,667	-	-	15,667	7,537	N/A	5,036
Total Uses	15,667	-	-	15,667	7,537	0	5,036
Building and Structures							
Prior Year Encumbrance	-	-	3,718	3,718	3,718	N/A	5,071
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	11,195	2,674	-	13,869	13,869	N/A	10,510
Revenues	18,349	5,728	-	24,077	10,984	N/A	11,027
Total Sources	29,544	8,402	3,718	41,664	28,571	N/A	26,608
Total Uses	29,544	8,402	3,718	41,664	12,899	4,525	8,067
Residential Construction							
Prior Year Encumbrance	-	-	-	-	-	N/A	-
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	1,121	(13)	-	1,108	1,108	N/A	959
Revenues	42	-	-	42	157	N/A	184
Total Sources	1,163	(13)	-	1,150	1,265	N/A	1,143
Total Uses	\$ 1,163	(13)	-	1,150	22	0	32

**CITY OF SAN JOSE
SPECIAL FUNDS
SOURCE AND USE OF FUNDS
FOR THE 8 MONTHS ENDED FEBRUARY 29, 2012
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2011-12	BUDGET		FY 2011-12	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Transient Occupancy Tax							
Prior Year Encumbrance	\$ -	-	176	176	176	N/A	196
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	3,375	465	-	3,840	3,840	N/A	3,366
Revenues	10,807	1,648	-	12,455	6,968	N/A	5,939
Total Sources	14,182	2,113	176	16,471	10,984	N/A	9,501
Total Uses	14,182	2,113	176	16,471	7,962	494	6,386
Conventions, Arts & Entertainment							
Prior Year Encumbrance	-	-	495	495	495	N/A	510
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	5,792	2,630	-	8,422	8,422	N/A	6,327
Revenues	17,294	4,760	-	22,054	12,438	N/A	11,477
Total Sources	23,086	7,390	495	30,971	21,355	N/A	18,314
Total Uses	23,086	7,390	495	30,971	14,677	424	13,705
Golf							
Prior Year Encumbrance	-	-	5	5	5	N/A	7
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	354	(53)	-	301	301	N/A	1,074
Revenues	2,237	130	-	2,367	2,205	N/A	1,396
Total Sources	2,591	77	5	2,673	2,511	N/A	2,477
Total Uses	2,591	77	5	2,673	2,129	0	2,155
Other Funds							
Prior Year Encumbrance	-	-	32,824	32,824	32,824	N/A	57,824
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	171,970	28,293	-	200,263	200,263	N/A	212,970
Revenues	440,579	149,730	-	590,309	298,533	N/A	263,623
Total Sources	612,549	178,023	32,824	823,396	531,620	N/A	534,417
Total Uses	\$ 612,549	178,023	32,824	823,396	284,825	98,122	273,133

**CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE 8 MONTHS ENDED FEBRUARY 29, 2012
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2011-12	BUDGET		FY 2011-12	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Construction Excise							
Prior Year Encumbrance	\$ -	-	8,203	8,203	8,203	N/A	7,270
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	19,959	7,965	-	27,924	27,924	N/A	18,799
Revenues	26,276	8,998	-	35,274	23,756	N/A	28,739
Total Sources	46,235	16,963	8,203	71,401	59,883	N/A	54,808
Total Uses	46,235	16,963	8,203	71,401	19,948	4,758	31,408
Redevelopment Projects							
Prior Year Encumbrance	-	-	213	213	213	N/A	2,756
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	466	831	-	1,297	1,297	N/A	3,225
Revenues	3	150	-	153	153	N/A	392
Total Sources	469	981	213	1,663	1,663	N/A	6,373
Total Uses	469	981	213	1,663	299	296	3,692
Other							
Prior Year Encumbrance	-	-	5,235	5,235	5,235	N/A	21,339
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	58,017	728	-	58,745	58,745	N/A	67,861
Revenues	12,843	(10,216)	-	2,627	2,145	N/A	2,316
Total Sources	70,860	(9,488)	5,235	66,607	66,125	N/A	91,516
Total Uses	\$ 70,860	(9,488)	5,235	66,607	7,103	3,427	18,562

**CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE 8 MONTHS ENDED FEBRUARY 29, 2012
(UNAUDITED)
(\$000's)**

	ADOPTED	YTD	C/O	REVISED	YEAR-TO-DATE		PRIOR
	FY 2011-12	BUDGET		FY 2011-12	ACTUAL	ENCUMBR	Y-T-D
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET			ACTUAL
Trust and Agency							
Prior Year Encumbrance	\$ -	-	-	-	-	-	N/A 18
Liquidation of c/o Enc	-	-	-	-	-	-	N/A -
Beginning Fund Balance	2,316	81	-	2,397	2,397	N/A	2,411
Revenues	77	1,031	-	1,108	1,069	N/A	572
Total Sources	<u>2,393</u>	<u>1,112</u>	<u>-</u>	<u>3,505</u>	<u>3,466</u>	<u>N/A</u>	<u>3,001</u>
Total Uses	<u>\$ 2,393</u>	<u>1,112</u>	<u>-</u>	<u>3,505</u>	<u>235</u>	<u>21</u>	<u>361</u>